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THE INFLUENCE OF INCOME ON STANDARDS OF LIFE

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It goes without saying that the standard of living attained does not depend simply upon income. The natural environment—climate, the free gifts of nature—the social environment, whether urban or rural, the efficiency of government, the opportunities for recreation and education which are provided gratuitously—all these have a marked influence upon the plane of life that men attain. Furthermore, the actual comfort enjoyed by a given family depends hardly less upon the amount of its income than upon the wisdom displayed in applying it to the diverse wants which it may be made to meet. The woman who “looketh well to the ways of her household” is as important a factor in our time as she was in the days of King Lemuel.

But into these wide aspects of the question it is not my business to enter. I shall deal with the influence upon the standard of living of income alone, and I purpose to consider the effect upon the standard, first, of variations in amount of income; second, of variations in sources of income. I shall draw for illustration largely upon the results of an investigation into the standard of living in New York City carried on in 1907 under the direction of a committee of the New York State Conference of Charities. Returns were compiled from 391 families of four, five, and six persons each, 318 having incomes between \$600 and \$1,100.

I. Variations in amount of income.—It is plain that the larger the income, the larger are the possibilities of satisfaction. One of the evidences of a general rise of real wages in the nineteenth century is the increase in the number and kind of good things that are within reach of the ordinary man, and actually in his possession. We know, that is, that the rise of the standard

of living so as to include trolley-rides and daily newspapers and silver-plated ware must be the result of a general increase in family income. But we can go farther than this. Ernst Engel has taught us to look at the apportionment of income among the principal objects of family expenditure, and to see just how changes of income work out in changes in the elements of the standard of living—what kind of things are added as income increases, what are omitted as income falls.

On the basis of returns from 199 Belgian families, gathered in 1855 by Ducpetiaux, Engel made out his familiar table of percentage expenditures for Saxon families of three income-grades. He found that the poorest families, whose income was under \$300 of our money, gave for food 62 per cent. of all that they spent. Families having from \$450 to \$600 spent 55 per cent. for food, and those with from \$750 to \$1,000 spent 50 per cent. for this purpose. Hence he made his generalizations that, as income increased, a less and less part of it was needed for food, and that the percentage of expenditure for food was therefore an index of the degree of prosperity attained. He applied this standard in a later work to the wretched English peasants whose budgets had been collected by Eden in 1797, and found that the average of their food-expenditure was 73 per cent. of their total expenditures. The generalization regarding the tendency of the food-percentage to diminish as the income increases has been verified in many later compilations of family budgets. The *Report of the United States Bureau of Labor* for 1903, for instance, finds a decline in food-expenditure from 47 per cent. among families having incomes between \$400 and \$500, to 40 per cent. for families with incomes between \$900 and \$1,000. Colonel Wright's Massachusetts investigation of 1875 showed a decline from 64 per cent. for families having less than \$450 a year to 51 per cent. for families having over \$1,200 a year.

As the demands of the stomach are more easily met out of the larger income, what expenditures are increased to correspond? Engel's Saxon tables show a constant percentage for housing and for fuel and light, a slight increase for clothing, and a rise in the percentage allotted to expenditures outside of immediate

physical necessities from 5 to 10 and from 10 to 15 per cent. as we ascend the income-scale. This indicates that, along with somewhat better provision for food and shelter, it is possible for the family to indulge in more attractive clothing and household furnishings, and to spend something for amusement, for reading-matter and for minor personal indulgences.

All reports agree as to the broadening of the plane of living, with rising income, in regard to expenditure for the satisfaction of these culture-wants. Not all, however, coincide with Engel's data in regard to a constant percentage for rent and for clothing. Colonel Wright's figures for the United States at large in 1901 show a nearly constant percentage for rent (17 to 18 per cent.), but his Massachusetts report of 1875 shows a decline in the first three income-groups from 20 to 15.5 and then to 14 per cent., followed by a rise to 17 per cent. and a drop to 15 per cent. Recent investigations in New York, that of Mrs. More in her *Working-men's Budgets*, and that of the Committee of the New York Conference, agree in showing a steady falling-off in percentage expenditure for rent with each increase of one hundred dollars in income. The percentages found in the latter inquiry were 24 for incomes between \$600 and \$700, and for successive income-groups, rising by hundred-dollar stages, 22, 20, 19, 18, 16—the last for incomes over \$1,100. The congestion of population in New York, fortunately exceptional, doubtless accounts in part for the fact that in that city house-rent claims one-quarter of the six-hundred-dollar incomes.

An examination of the percentages expended for food, housing, and other purposes suggests that the proportion of income devoted to each of them may not always move in the same direction as we pass from one income-group to the next higher. The \$400 families in the *Labor Report* of 1903 spend a higher percentage for food than the \$300 families. If the comparison is carried far enough upward in the scale of incomes, a point is reached in New York where rent ceases to fall off in percentage expenditure, and clothing ceases to demand a larger proportion than in the group preceding. The fact seems to be that each of the three primary wants takes its turn in urging its claims most

vociferously and when these have been pacified the desires for the things that make life worth living begin to be heard. In regard to each class of wants in turn a point of relative saturation is reached, and a more adequate satisfaction of the next one becomes possible.

In New York City the most imperative need on the lowest incomes is for housing. Some place of shelter must be provided, and, however wretched, it will not be cheap. Thirteen dollars a month was the average rent paid by seventy-two families whose average income was \$650. But this amounts to \$156 a year, or 24 per cent. of the total income. When the cost of shelter demands a quarter of the whole income, food and clothing must take what is left. But the accommodations obtained as the minimum that can be lived in by the families with \$650 a year are practically good enough for those with an income one and two hundred dollars greater. Seventy-three families whose income averaged \$846, spent only fourteen dollars a week on the average for rent. But this was only 21 per cent. of their larger total expenditure. Meanwhile their food percentage was practically as high as that of the \$650 group (44.3 per cent.), representing an increase in average amount expended from \$290 to \$360.

In food the point of diminishing percentage was not reached until after the one-thousand-dollar line was passed. The food-percentage increased, as with the families in the *United States Labor Report* of 1903, on passing from \$400 to \$500, and from \$500 to \$600. This may be due in part to exaggeration in the returns of expenditure for food. In part it was due to the fact that until an income of \$800 was reached one-third of the families were underfed. The proportion of the total food-expenditure that was given for animal food increased, and that expended for cereal food diminished. The cost of animal food comprised 29 per cent. of the total food-bill of the families in the six-hundred-dollar income-group, and 32 per cent. of those in the one-thousand-dollar group. Cereals dropped correspondingly from 21 to 17 per cent. The expenditure for alcoholic drinks increased, taking into account only those families that reported this item, from the average of \$27.25, or 4.2 per cent.

of the total expenditures in the six-hundred-dollar group, to \$59.96, or 5.2 per cent., in the eleven-hundred-dollar group.

Clothing comes last of the three to a constant or a diminishing proportion of the expenditures. In the New York families under consideration the percentage expenditure rises slightly with each increase of \$100 in income until the eleven-hundred-dollar group is reached, and thereafter remains constant at about 15 per cent.

The expenditures for other purposes than these three primary necessities are kept under until these wants are met. By the time something like an equilibrium between these three has been reached, say at \$800 for our New York families, the expenditure for recreation, social obligations, care of the health, and all other purposes save fuel and light, claims a larger proportion of the income. The proportion is 1 per cent. higher at \$700 than at \$600, but at \$800 it rises from 14 to 16 per cent. of the total expenditure, and continues to increase without sign of stopping. That is, the culture-wants are beginning to claim their own, which, under the necessity of keeping the wolf from the door, they could not be permitted to have.

A striking example of this tendency of subsistence-wants to claim the lion's share of all increasing income is found in Engel's comparison of the Belgian returns of 1853 with those of a similar investigation made in 1891. At the latter period, although the average income had nearly doubled, the expenditure for food comprised 65.7 per cent. of the total in 1891 as compared with 64.9 per cent. in 1853. In fact, food, clothing, rent, and fuel and light consumed 96 per cent. of the income in 1891 and only 94 per cent. in 1853.

The same general conclusion as to the relative intensity of the several classes of wants may be drawn from another method of handling the New York returns. A minimum standard, as exact as could be determined, was applied to the expenditures for food, clothing, and housing, and the number of families counted in each income-group who came short of the standard. For food, the minimum was set at an expenditure at the rate of 22 cents per man per day, as calculated after the manner made

familiar by Professor W. O. Atwater in the Bulletins of the Department of Agriculture. This figure was reached, after an analysis of one hundred of the family reports, by Dr. Frank P. Underhill of Yale University, a competent expert. Professor Atwater's estimate on the basis of data gathered in New York City a few years previous, when a lower scale of prices prevailed, was from 23 to 25 cents. For housing the minimum was fixed at one and one-half persons per room, i. e. not more than six persons to four rooms. For clothing the minimum was set at an allowance of \$100 for the assumed family of five persons; expenditures for washing being included in this sum.

For our present purpose the accuracy of these estimates of a minimum requirement for physical efficiency does not concern us, but only the variations in the departures from them that appear in the several income-groups. Measured by these standards, of the families with incomes between \$400 and \$500 all are underfed, 88 per cent. are underclad, 63 per cent. are overcrowded. That is, the want of shelter is being satisfied at the expense of food and clothing. In the next income-group (\$500-\$600), the underfed are 65 per cent., the underclothed, as before, 88 per cent., the overcrowded, 71 per cent. In paying more attention to the need for food, less attention is paid to shelter. A higher rental is paid, but more persons are crowded into the accommodations offered. In the next income-group (\$600-700) the underfed have fallen to 33 per cent., the underclad to 63 per cent., the overcrowded to 57 per cent. For every income-group thereafter, the overcrowded families preponderate over both the other classes. Even in the \$1,100 income-group 21 per cent. are overcrowded, but none underfed and only 6 per cent. underclad. These figures, taken as a whole, imply that the most urgent need at the minimum income is for shelter, out-clamoring not hunger perhaps, but at least the want of adequate food. With a larger income a pause can be set to the desire for better housing, while more attention is given to the providing of food. With an income still larger, of nine hundred dollars and above, the deficiencies in diet are supplied, and at ten hundred dollars the minimum allowance for clothing has been attained by practically

all the families. Not even at this point, however, does the desire for adequate housing, at the price which must be paid for it, suffice to persuade more than three-fourths of the families to go without enough of other things to secure it.

Another alternative to expansion of expenditures, for whatever purpose, as income increases, is saving. Saving becomes easier, as income increases. But the point where savings begin is not necessarily the point where a standard even of physical efficiency is attained. There are families that save at the expense not only of comfort, but even of health, and there are families that no increase of income would induce to save. Of the underfed families just alluded to, one-half reported a surplus of income over expenditure of at least \$25; 65 per cent. of the families reckoned as underclothed, and 44 per cent. of the overcrowded likewise reported such a surplus. When this is compared with the percentage of all families that reported a surplus, namely 36.5, it seems fair to infer that the desire to save repressed expenditures to meet actual physical necessities.

On the other hand, by no means all families on a larger income preferred saving to spending. Not until \$1,300 is reached is there a constant increase in the number of families that report a surplus of income over expenditures. This indicates that there are Micawbers on large incomes as there are misers on small incomes, but also that the social influences of New York City, at least, encourage adding to the good things included in standards of living quite as much as they encourage saving. The proportion of savers among the Russian and Italian families was found to be much higher than among families of more thoroughly Americanized stock.

On the whole the conclusions drawn from the New York investigation substantiate the restatement of Engel's "laws" given by Stephan Bauer in his article "Konsumtionsbudget" in Conrad's *Handwörterbuch*, as follows:

With increase of income:

1. The proportion spent for food, especially for vegetable food, falls.
2. The proportion saved constantly increases.

3. The proportion spent for housing, fuel, light, falls until a certain income is reached, then remains constant or increases.

4. The proportion spent for animal food, drink, clothing, culture, and recreation rises until a certain income is reached, then remains constant or falls.

II. Source of Income.—The real standard of life enjoyed by a family is profoundly influenced by the sources from which its income is derived. To explain, let me make a classification, on the basis primarily of amount of income, of the relation of income to family life. Let us consider five classes:

1. The income is so small that the family cannot be maintained, but is broken up. Our charitable societies are only too familiar with cases of this kind. The father is incapacitated by accident or disease, or the supplementary earnings of other members of the family are cut off—from whatever cause, the income is diminished to a point where it is so far below the needs of the case that unless liberal relief is given the family must be broken up and the children provided for outside of the home.

2. The income is inadequate to the maintenance of a normal standard, but the family is kept together, living on a plane below the requirements for the working efficiency of the parents and the healthful bringing up of the children. It is possible to maintain life for a long time on a diet of bread and tea. Human beings can exist although sleeping three or four in a room. Dr. Foreman's budgets of the Washington poor contained instances of regular underfeeding for one week in each month—the week in which the monthly rent had to be paid. The figures already cited regarding underfed and overcrowded families, even on incomes of \$700 and \$800 are evidence that cases of this class are only too frequent. The outcome in the long run is the early extinction of the family under the attacks of disease, or race deterioration, as in the case of the London "hooligan."

3. The income adequate in amount, but adequate because the wages of the father are supplemented by the earnings of his wife and children. Such a family may maintain a normal standard, providing the children are fairly of working age and are not overworked. But where the mother's employment takes her away

from the home and where the children are set to work too young, the real standard of living is lowered. The family income cannot be as wisely expended when the mother is away all day, and the addition of outside employment to the woman's domestic work makes a burden that often impairs her health. The earlier a child goes regularly to work, the more is cut off from his rightful inheritance of opportunity to improve upon his father's standard of living.

4. The income adequate in amount, but made adequate by taking in lodgers or boarders. This case is similar to the preceding, and the effect upon the solidarity of the family, economic considerations aside, is hardly less deplorable. The taking of lodgers not only introduces outsiders into the midst of the family, but it frequently means an impairment of a normal standard in the matter of housing. Recent investigations have brought out the facts regarding the crowding of many tenements with lodgers. The relative frequency of the practice is perhaps indicated by the fact that one-half of the families included in the investigation of the New York Conference Committee were taking lodgers. The proportion increased with the increase in amount paid for rent—23 per cent. of families paying from ten to fourteen dollars a month for rent took lodgers, but they were taken by 62 per cent. of the families paying over sixteen dollars a month. The results in overcrowding are shown in the fact that 70 per cent. of the families having lodgers were reported as below our arbitrary standard of housing accommodations.

5. Families with adequate income, derived from sources such that the well-being of the family is not impaired. These families are the only ones that can be said to have reached a decent standard of living. They are the only ones in which the children have a "white man's chance" for the future. They are, for the most part, families supported by the father alone, or by children who are far enough along to handle their own wages and pay their own board into the family treasury. The number of families where the father really supports the family is not so large, among the wage-earners of our American cities, as is popularly supposed. Especially in those occupations where men's wages are not over

two dollars a day they are the exception, not the rule. Forty-eight of the laborers, teamsters, and garment workers included in the New York Committee's report, gave in a family income of from eight to ten hundred dollars; but in thirty-eight cases the father's earnings were supplemented from other sources. In almost every compilation of working-men's budgets that has been published in this country, has appeared the same frequency of composite incomes among families reporting the higher amounts for total income. Further, among the families with composite income the proportion of underfed and of families reporting deficit is greater than among the whole number of families. This means, of course, that the family of a man with a six-hundred-dollar wage can maintain a standard that calls for an expenditure of eight hundred dollars only by endangering the integrity of the family life by taking lodgers or sending mother and children out to work. In other words the standard of wages does not reach the standard of living.

The influence of income on standard of living, therefore, may be traced in reference both to amount and sources of income. As the amount of income increases expenditures increase most rapidly along the line of the strongest desire, unsatisfied hitherto. This desire is likely to be the desire for better food, then for better clothing and shelter, until what may be called a saturation point for these essentials has been reached. As this point is approached, expenditures for things not connected with immediate material subsistence claim a larger share of the income, and finally increase most rapidly of all. A minimum point is fixed by the environment natural and social. The education of the particular family, the custom of its social equals, are the forces that determine at what point above the subsistence minimum the income will be diverted from physical satisfaction to the meeting of higher wants. The maintenance of a decent standard depends on the father's earning, in ordinary cases, enough to meet the wants of the family until the children are really fit to go to work. When the father's earnings have to be supplemented by the earnings of others, or by taking lodgers, the standard of life is lowered and the integrity of the family is imperiled.